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**THIRD CANADIAN GENERAL INVESTMENT
TRUST LIMITED**

1974

Annual Report

D E C E M B E R 3 1 , 1 9 7 4

THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

Board of Directors

ALEX E. BARRON

T. R. MEIGHEN, Q.C.

D. L. CAMPBELL

E. LOUISE MORGAN

A. BRUCE MATTHEWS, C.B.E., D.S.O.

JOHN C. RYKERT

M. C. G. MEIGHEN, O.B.E.

PATRICK O. G. WRIGHT

Officers

M. C. G. MEIGHEN, O.B.E. *Chairman of the Board*

ALEX E. BARRON *President*

JOHN C. RYKERT *Treasurer*

E. LOUISE MORGAN *Secretary*

PATRICK O. G. WRIGHT *Assistant Treasurer*

Auditors

PRICE WATERHOUSE & CO. Toronto

Registrar and Transfer Agent

THE CANADA TRUST COMPANY Toronto and Montreal

Office of Company

110 YONGE STREET, SUITE 1702, M5C 1T4 (Telephone 416-366-2931) . . . Toronto

THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1974 consisting of the Balance Sheet, and Statements of Income, Retained Earnings, Unrealized Gain on Investments and Changes in Net Assets.

The Balance Sheet discloses that the total assets of the Company as at December 31, 1974 amounted to \$29,330,875. From this amount is deducted the total liabilities of the Company, namely \$35,084, which leaves a net value of \$29,295,791. After deducting the First Preferred Shares Series "A" at the call price of \$52.50, namely, \$2,947,088, each of the 1,837,190 common shares outstanding as at December 31, 1974 had an apparent equity value of approximately \$14.34. Lower market values prevailing at December 31, 1974 have eliminated the deferred income tax liability of \$1.4 million reported last year.

The Statement of Income discloses that your Company, after paying all expenses, had a net income for the year of \$1,776,941. After providing \$141,184 for dividends on the First Preferred Shares the balance of net income, namely \$1,635,757 was equivalent to \$0.89 for each of the outstanding Common Shares.

During 1974, cash dividends totalling \$141,184 were paid or declared on the First Preferred Shares Series "A". The common shareholders received dividends of \$1,561,612 or \$0.85 per share. These dividends were paid out of the Company's 1971 Surplus Accounts and are not subject to income tax in the hands of the shareholders. Such dividends, however, do reduce the adjusted cost base of your shares and this in turn could affect the taxable capital gain or loss resulting from any future sale of shares.

A schedule showing the percentage of the dividends paid out of tax-paid surplus and 1971 capital surplus is set out below. This information is submitted for the benefit of Canadian Corporations who are shareholders of the Company.

<u>Date</u>		<u>Tax-Paid Undistributed Income</u>	<u>1971 Capital Surplus</u>
March	14 - - - - -	33.06%	66.94%
September	13 - - - - -	3.25	96.75
December	13 - - - - -	0.57	99.43

Your Directors have decided, for the time being, to continue paying dividends for tax purposes out of the Company's December 31, 1971 surplus accounts. It is the intention of the Directors to declare dividends quarterly commencing in March. Such a dividend in the amount of \$0.15 plus a bonus of \$0.05 per common share, tax-free in the hands of the shareholders, has been declared payable March 14, 1975 to shareholders of record February 28, 1975.

The portfolio of investments as at December 31, 1974 is to be found on page 9 of this report.

Submitted on behalf of the Board.

M. C. G. Meighen
Chairman of the Board

Al E. Bann
President

TORONTO, January 29, 1975.

T H I R D C A N A D I A N G E N E R A L

Balance Sheet

Assets

Investments at indicated market value (Note 1):

	December 31 1974	1973
Securities having a quoted market value - - - - -	\$28,591,529	\$36,084,332
Securities not having a quoted market value - - - - -	494,145	706,559
	<u>29,085,674</u>	<u>36,790,891</u>

(Cost as at—

December 31, 1974—\$14,605,251

December 31, 1973—\$14,358,914)

Short-term investments at cost plus accrued interest - - - - -	—	301,297
Income taxes recoverable - - - - -	383	383
Cash in bank - - - - -	244,818	95,361
	<u>\$29,330,875</u>	<u>\$37,187,932</u>

Liabilities and Shareholders' Equity

Dividend payable - - - - -	\$ 35,084	\$ 35,753
Deferred income taxes (Note 4) - - - - -	—	1,399,100
	<u>35,084</u>	<u>1,434,853</u>

Shareholders' equity:

Capital stock (Note 2)—

Authorized—

118,477 first preferred shares of the par value of \$50 each, issuable in series

52,628,930 3% non-cumulative second preferred shares of the par value of 5¢ each redeemable at the amount paid up thereon

2,000,000 common shares of no par value

Issued and outstanding—

56,135 (1973—57,205) \$2.50 cumulative first preferred shares Series A redeemable at \$52.50 per share - - - - -	2,806,750	2,860,250
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1,837,190 common shares - - - - -	9,185,950	9,185,950
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	<u>11,992,700</u>	<u>12,046,200</u>
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Contributed surplus, realized on purchase for cancellation of first preferred shares (including \$22,077 arising during the year ended December 31, 1974) - - -	51,031	28,954
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Unrealized gain on investments - - - - -	14,480,423	21,032,877
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Retained earnings, including \$117,100 (1973—\$63,600) appropriated under Section 62 of the Canada Corporations Act - - - - -	2,771,637	2,645,048
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	<u>29,295,791</u>	<u>35,753,079</u>
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	<u>\$29,330,875</u>	<u>\$37,187,932</u>
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APPROVED ON BEHALF OF THE BOARD:

A. BRUCE MATTHEWS, *Director*

M. C. G. MEIGHEN, *Director*

Auditors' Report to the Shareholders of

Third Canadian General Investment Trust Limited:

We have examined the balance sheet of Third Canadian General Investment Trust Limited as at December 31, 1974 and the statements of income, retained earnings, unrealized gain on investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1974 and the results of its operations and the changes in its net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As part of our tests referred to in the first paragraph above, we examined share certificates and other evidence supporting the investments held by the Company as at December 31, 1974.

Toronto, January 15, 1975

PRICE WATERHOUSE & CO.
Chartered Accountants

INVESTMENT TRUST LIMITED

Statement of Income

	Year ended December 31	
	1974	1973
Income:		
Dividends received - - - - -	\$ 1,860,482	\$ 1,213,108
Interest earned - - - - -	20,733	6,564
	<u>1,881,215</u>	<u>1,219,672</u>
Expenses:		
Management fee. - - - - -	89,383	96,432
Directors' fees (Note 3) - - - - -	850	1,150
Miscellaneous - - - - -	14,041	16,422
	<u>104,274</u>	<u>114,004</u>
Net income for the year - - - - -	<u>\$ 1,776,941</u>	<u>\$ 1,105,668</u>
Net income for the year per common share (after deducting preferred dividends) - - - - -	<u>\$ 0.89</u>	<u>\$ 0.52</u>

Statement of Retained Earnings

	Year ended December 31	
	1974	1973
Balance at beginning of year - - - - -	\$ 2,645,048	\$ 2,131,002
Net income for the year - - - - -	1,776,941	1,105,668
Gain on investments sold (Note 4(iv)) - - - - -	52,444	470,084
	4,474,433	3,706,754
Dividends paid or declared:		
On first preferred shares Series A - - - - -	141,184	143,359
On common shares - - - - -	1,561,612	826,736
Tax paid under Section 196(1) of the Income Tax Act - - - - -	—	91,611
	1,702,796	1,061,706
Balance at end of year - - - - -	<u>\$ 2,771,637</u>	<u>\$ 2,645,048</u>
Dividends paid per share:		
Preferred - - - - -	<u>\$ 2.50</u>	<u>\$ 2.50</u>
Common - - - - -	<u>\$ 0.85</u>	<u>\$ 0.45</u>

Statement of Unrealized Gain on Investments

	Year ended December 31	
	1974	1973
(Decrease) during the year - - - - -	\$(7,951,554)	\$(4,022,967)
Less: Deferred income tax recovery - - - - -	1,399,100	696,500
	(6,552,454)	(3,326,467)
Balance at beginning of year - - - - -	21,032,877	24,359,344
Balance at end of year - - - - -	<u>\$14,480,423</u>	<u>\$21,032,877</u>

V E S T M E N T T R U S T L I M I T E D

Statement of Changes in Net Assets

	Year ended December 31	
	1974	1973
Net assets at beginning of year - - - - -	\$35,753,079	\$38,573,811
Add:		
Net income for the year - - - - -	1,776,941	1,105,668
Gain on investments sold - - - - -	52,444	470,084
Profit on purchase for cancellation of first preferred shares - - - - -	22,077	4,689
	<u>37,604,541</u>	<u>40,154,252</u>
Less:		
Decrease in unrealized gain on investments less deferred income tax recovery -	6,552,454	3,326,467
Dividends paid or declared—		
On first preferred shares Series A - - - - -	141,184	143,359
On common shares - - - - -	1,561,612	826,736
Tax paid under Section 196(1) of the Income Tax Act - - - - -	—	91,611
First preferred shares Series A purchased for cancellation - - - - -	53,500	13,000
	<u>8,308,750</u>	<u>4,401,173</u>
Net assets at end of year - - - - -	<u>\$29,295,791</u>	<u>\$35,753,079</u>
Gain on investments sold:		
Cost of investments at beginning of year - - - - -	\$14,358,914	\$14,047,994
Add: Purchase of investments during year - - - - -	474,776	447,270
	<u>14,833,690</u>	<u>14,495,264</u>
Less: Cost of investments at end of year - - - - -	14,605,251	14,358,914
Cost of investments sold during year - - - - -	228,439	136,350
Proceeds from sale of investments during year - - - - -	280,883	606,434
Net gain on investments sold - - - - -	<u>\$ 52,444</u>	<u>\$ 470,084</u>
Apparent liquidating value per common share (after deducting outstanding preferred shares at call price):		
At beginning of year - - - - -	<u>\$17.83</u>	<u>\$19.35</u>
At end of year - - - - -	<u>\$14.34</u>	<u>\$17.83</u>

THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

Notes to the Financial Statements

DECEMBER 31, 1974

1. The indicated market values of quoted securities are the result of pricing the Company's holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.
2. During the year ended December 31, 1974 1,070 \$2.50 cumulative first preferred shares Series A were purchased for cancellation.
3. The aggregate remuneration of 3 of the 8 directors was \$850 (1973—\$1,150). The remaining 5 directors, who are also the 5 officers of the Company, are employees of the management company and did not receive any remuneration as directors or officers of the Company.
4. Taxation:
 - (i) The Company does not qualify as an "investment corporation" as defined in Section 130 of the Canadian Income Tax Act; accordingly, it is subject to income tax as a "public corporation". "Taxable dividends" received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income; one-half of gains on disposal of investments, to the extent that these have accrued since December 31, 1971, are subject to income tax at full corporate rates.
 - (ii) The Company has an unrealized net capital loss for tax purposes of \$178,900 which has accrued since December 31, 1971. Dividends of \$2,092,678 received since December 31, 1971 which were paid out of "tax paid undistributed surplus on hand" and "1971 capital surplus" of the payor corporation have been applied to reduce the adjusted cost base of the investments held in the payor corporation. Provision for deferred income taxes recoverable on the unrealized net capital loss has not been made in the accounts.
 - (iii) As at December 31, 1974 the Company estimates its tax surplus categories, as defined by the Income Tax Act and subject to confirmation by the Canadian tax authorities, to be as follows:

	(a) Tax paid undistributed surplus (Section 89(1)(k))	(b) 1971 capital surplus
Balance at beginning of year - - - - -	\$151,825	\$2,611,416
Dividends received - - - - -	21,980	1,288,908
Tax-free dividends paid on common shares - - - - -	(172,872)	(1,388,740)
Balance at end of year - - - - -	<u>\$ 933</u>	<u>\$2,511,584</u>

The Company may elect to pay dividends out of both categories (a) and (b). Such dividends are not required to be included in the shareholder's income but reduce the adjusted cost base of his investment for Canadian tax purposes.

- (iv) Gains realized on investments sold during the year include taxable gains accrued since December 31, 1971 which have been offset for income tax purposes by expenses of \$28,566 charged in the statement of income. In accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants, income taxes of \$15,400 otherwise payable on the gains should have been charged to retained earnings with a corresponding increase in net income for the year. This practice has not been followed since it would give an unfair presentation of the net income for the year.

THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

Portfolio of Investments

DECEMBER 31, 1974

	Class	No. of Shares		Class	No. of Shares
Alcan Aluminium Ltd. - - - -	Common	5,000	International Nickel Co. of		
Algoma Steel Corp. Ltd. - - -	Common	21,224	Canada Ltd. - - - - -	Common	7,500
Argus Corporation Ltd. - - - -	"C" Prefd.	120,000	Interprovincial Pipe Line Limited -	Common	20,000
Bank of Montreal - - - - -	Common	3,000	Kenting Limited - - - - -	Common	15,000
Bank of Nova Scotia - - - - -	Common	3,300	London Life Insurance Co. - -	Common	1,100
C.G.I. and Third Venture			MacMillan Bloedel Limited - -	Common	10,000
Capital Limited - - - - -	Common	10,000	Moore Corporation Ltd. - - -	Common	40,000
C.G.I. and Third Venture			The Ravelston Corp. Limited - -	Common	5,270
Capital Limited - - - - -	Prefd.	500	The Ravelston Corp. Limited - -	Prefd.	48,549
Canada Packers Ltd. - - - -	"C" Common	17,000	Rio Algom Mines Ltd. - - - -	Common	12,000
Canadian General			Royal Bank of Canada - - - -	Common	5,000
Investments Ltd. - - - - -	Common	1,248,464	Scott's Restaurants Ltd. - - -	Common	10,000
Canadian Tire Corp. Ltd. - - -	"A" Prefd.	5,000	The Seagram		
Cominco Limited - - - - -	Common	10,000	Company Limited - - - - -	Common	40,000
Dominion Foundries & Steel Ltd.	Common	25,000	Shell Canada "A"- - - - -	Common	9,000
Extendicare Ltd. - - - - -	Common	20,000	Simpsons Ltd. - - - - -	Common	48,000
Glendale Corporation - - - - -	Common	10,100	Southam Press Ltd. - - - -	"A" Common	4,000
Hudson Bay Oil & Gas Co. - - -	Common	2,000	Steel Co. of Canada Ltd. - - -	Common	12,000
Huron & Erie Mortgage			D. A. Stuart, Oil Co. Ltd. - - -	Common	4,000
Corporation - - - - -	Common	68,000	Toronto-Dominion Bank - - -	Common	2,800
I.A.C. Limited - - - - -	Common	8,000	TransCanada PipeLines Ltd. - -	Common	3,000
Imperial Oil Ltd. - - - - -	Common	11,000	Trizec Corporation Ltd. - - -	Common	15,000

